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TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
SENATE BILL NO. 104, S.D. 1

March 19, 2015

RELATING TO BUDGETING

Senate Bill No. 104, S.D. 1, would establish a pilot project under which the Department of Budget and Finance and one State department, to be selected, choose and compile efficiency measures for possible inclusion in future budget documents.

While the Department of Budget and Finance is willing to work with a selected State department on the proposed pilot project, we have concerns regarding this measure. First, there may be technical issues with providing efficiency measures, which have been defined as “. . . the cost within the lowest level of a program to produce a single unit of activity or effectiveness measure of that level of the program.”

State agencies generally do not keep track of the cost of each employee or other costs attributable to a particular activity or effectiveness measure, as a whole or by a single unit, and may not even have the capacity to do so. Very specific cost tracking would be more feasible with an Enterprise Resource Planning system, which is not yet available.

Second, it is not clear what a “single unit” is for different units of measure. For example, it is unclear if a single unit for an effectiveness measure which is measured by percentage would be one percent of that outcome.

Third, it is also unclear what “cost,” although defined as “. . . the sum of research and development cost and operating cost,” should include. While the most obvious cost would be employee salaries, it is unclear if the costs of support staff (e.g., clerical), facilities (e.g., rent), utilities, fringe benefits, etc., should also be included. It is also unclear if centrally budgeted general funded costs, which include some of the previously mentioned costs, should be included. Programs which are funded by general and special funds, for example, may have special funded costs within their budget that are centrally budgeted for the general funded portion of the program.

We also note that the cost to produce a single unit can vary widely depending upon the complexity of the measure or activity or inherent program costs. However, we are again uncertain that State agencies have the capacity to collect this data or make projections to this level of detail as such an endeavor could be extremely labor intensive, if even possible.

Lastly, we are concerned that this is one of a number of bills moving through the Legislature that would require that significant changes be made to the budget documents. The computerized budget systems currently utilized by the Executive Branch to produce the various budget documents are not contemporary, technologically advanced systems. The core budgeting programs are COBOL-based systems that are over 40 years old. These, along with our web-based budget systems, would require extensive modifications which would likely be labor intensive. The development of interim reports and additional training requirements will also sap our limited resources. Should all of these measures pass, it is unlikely that our department will be able to meet all of the new statutory requirements in a timely manner.